



House of Representatives

General Assembly

File No. 679

February Session, 2008

Substitute House Bill No. 5843

House of Representatives, April 17, 2008

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ENTERTAINMENT INDUSTRY TAX CREDIT PROGRAMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2008, and applicable to income years*
2 *commencing on or after January 1, 2008*) (a) As used in this section:

3 (1) "Commissioner" means the Commissioner of Revenue Services.

4 (2) "Commission" means the Connecticut Commission on Culture
5 and Tourism.

6 (3) "Eligible production company" means a corporation, partnership,
7 limited liability company or other business entity engaged in the
8 business of producing sound recordings on a one-time or ongoing
9 basis and qualified by the Secretary of the State to engage in business
10 in the state.

11 (4) "Production expenses or costs" means all expenditures clearly

12 and demonstrably incurred in the state in the development,
13 preproduction, production or postproduction costs for qualified sound
14 recordings, including:

15 (A) Expenditures incurred in the state in the form of either
16 compensation or purchases, including production work, production
17 equipment not eligible for the infrastructure tax credit provided in
18 section 2 of this act or section 12-217kk of the 2008 supplement to the
19 general statutes, production software, postproduction work,
20 postproduction equipment, postproduction software, special effects,
21 audio effects, music, sound mixing, soundstages, and any and all other
22 costs or services directly incurred in connection with a qualified sound
23 recording;

24 (B) Expenditures for distribution, including preproduction,
25 production or postproduction costs relating to the creation of trailers,
26 marketing videos, and any and all content created on film or digital
27 media, including the duplication of recordings, CDs, DVDs, and any
28 and all digital files now in existence and those yet to be created for
29 mass consumer consumption; the purchase, by a company in the state,
30 of any and all equipment relating to the duplication or mass market
31 distribution of any content created or produced in the state by any
32 digital media format which is now in use and those formats yet to be
33 created for mass consumer consumption; and

34 (C) "Production expenses or costs" does not include the following:
35 (i) On and after January 1, 2008, compensation in excess of one million
36 dollars paid to any individual or entity representing an individual, for
37 services provided in the production of a sound recording; (ii) media
38 buys, promotional events or gifts, or public relations associated with
39 the promotion or marketing of any sound recording; (iii) deferred,
40 leveraged or profit participation costs relating to any and all personnel
41 associated with any and all aspects of the production, including, but
42 not limited to, producer fees, director fees and talent fees; (iv) costs
43 relating to the transfer of the sound recording tax credits; and (v) any
44 amounts paid to persons or businesses as a result of their participation

45 in profits from the exploitation of the sound recording.

46 (5) "Sound recording" means a recording of music, poetry or
47 spoken-word performance, including any audio made for television
48 programs, video, movies, records, distribution, additional audio
49 replacement, Internet companies and digital content. "Sound
50 recording" does not include the audio portions of dialogue or words
51 spoken and recorded as part of news coverage or athletic events.

52 (6) "Qualified sound recording" means a sound recording produced
53 by an eligible production company that (A) is in compliance with
54 regulations adopted pursuant to subsection (g) of this section, (B) is
55 authorized to conduct business in this state, and (C) has been
56 approved by the commission as qualifying for a sound recording tax
57 credit under this section.

58 (7) "Post-certification remedy" means the recapture, disallowance,
59 recovery, reduction, repayment, forfeiture, decertification or any other
60 remedy that would have the effect of reducing or otherwise limiting
61 the use of a tax credit provided by this section.

62 (b) (1) The Connecticut Commission on Culture and Tourism shall
63 administer a system of tax credit vouchers for eligible production
64 companies producing a qualified sound recording in the state. Any
65 eligible production company incurring production expenses or costs in
66 excess of five thousand dollars, but less than fifteen thousand dollars,
67 shall be eligible for a credit against the tax imposed under chapter 207
68 or 208 of the general statutes equal to twenty-five per cent of such
69 production expenses or costs. Any eligible production company
70 incurring production expenses or costs of fifteen thousand dollars or
71 more, shall be eligible for a credit against the tax imposed under
72 chapter 207 or 208 of the general statutes equal to thirty per cent of
73 such production expenses or costs. Such expenses or costs shall be
74 counted toward such credit when incurred within the state and used
75 within the state, and no expenses or costs incurred outside the state
76 shall be eligible for a credit, even if subsequently used within the state
77 in the production of a sound recording.

78 (2) Any credit allowed pursuant to this section may be sold,
79 assigned or otherwise transferred, in whole or in part, to one or more
80 taxpayers, provided no credit, after issuance, may be sold, assigned or
81 otherwise transferred, in whole or in part, more than three times.

82 (3) Any credit allowed under this section shall be claimed against
83 the tax imposed under chapter 207 or 208 of the general statutes for the
84 income year in which the production expenses or costs were incurred
85 and may be carried forward for the three immediately succeeding
86 income years. Any sound recording tax credit allowed under this
87 section shall be nonrefundable.

88 (4) The total amount of credits granted to all taxpayers pursuant to
89 this section shall not exceed five million dollars in any one fiscal year.
90 If the total amount of credits applied for in one fiscal year exceeds said
91 five-million-dollar limit, the commission may treat such excess amount
92 as having been applied for on the first day of the subsequent fiscal
93 year.

94 (c) (1) An eligible production company shall apply to the
95 commission for a tax credit voucher on an annual basis, but not later
96 than ninety days after the first production expenses or costs are
97 incurred in the production of a qualified sound recording, and shall
98 provide with such application such information as the commission
99 may require to determine such company's eligibility to claim a credit
100 under this section. No production expenses or costs may be listed more
101 than once for purposes of the tax credit voucher pursuant to this
102 section, section 2 of this act, section 12-217kk of the 2008 supplement to
103 the general statutes or section 12-217ll of the 2008 supplement to the
104 general statutes, and if a production expense or cost has been included
105 in a claim for a credit, such production expense or cost may not be
106 included in any subsequent claim for a credit.

107 (2) Not earlier than three months after the application in subdivision
108 (1) of this subsection, an eligible production company may apply to the
109 commission for a sound recording tax credit voucher, and shall
110 provide with such application such information and independent

111 certification as the commission may require pertaining to the amount
112 of such company's production expenses or costs to date. If the
113 commission determines that such company is eligible to be issued a
114 sound recording tax credit voucher, the commission shall enter on the
115 voucher the amount of production expenses or costs that has been
116 established to the satisfaction of the commission and the amount of
117 such company's credit under this section. The commission shall
118 provide a copy of such voucher to the commissioner, upon request.

119 (3) Not later than ninety days after the end of the annual period, or
120 after the last production expenses or costs are incurred in the
121 production of a qualified sound recording, an eligible production
122 company shall apply to the commission for a sound recording tax
123 credit voucher, and shall provide with such application such
124 information and independent certification as the commission may
125 require pertaining to the amount of such company's production
126 expenses or costs. If the commission determines that such company is
127 eligible to be issued a production tax credit voucher, the commission
128 shall enter on the voucher the amount of production expenses or costs
129 that has been established to the satisfaction of the commission, minus
130 the amount of any credit issued pursuant to subdivision (2) of this
131 subsection and the amount of such company's credit under this
132 section. The commission shall provide a copy of such voucher to the
133 commissioner, upon request.

134 (d) If an eligible production company sells, assigns or otherwise
135 transfers a credit under this section to another taxpayer, the transferor
136 and transferee shall jointly submit written notification of such transfer
137 to the commission not later than thirty days after such transfer. If such
138 transferee sells, assigns or otherwise transfers a credit under this
139 section to a subsequent transferee, such transferee and such
140 subsequent transferee shall jointly submit written notification of such
141 transfer to the commission not later than thirty days after such
142 transfer. The notification after each transfer shall include the credit
143 voucher number, the date of transfer, the amount of such credit
144 transferred, the tax credit balance before and after the transfer, the tax

145 identification numbers for both the transferor and the transferee, and
146 any other information required by the commission. Failure to comply
147 with this subsection shall result in a disallowance of the tax credit until
148 there is full compliance on the part of the transferor and the transferee,
149 and for a second or third transfer, on the part of all subsequent
150 transferors and transferees. The commission shall provide a copy of
151 the notification of assignment to the commissioner upon request.

152 (e) Any eligible production company that wilfully submits
153 information to the commission that it knows to be fraudulent or false
154 shall, in addition to any other penalties provided by law, be liable for a
155 penalty equal to the amount of such company's credit entered on the
156 sound recording tax credit certificate issued under this section.

157 (f) The issuance by the commission of a tax credit voucher with
158 respect to an amount of tax credits stated thereon shall mean that none
159 of such tax credits are subject to a post-certification remedy, and that
160 the commission and the commissioner shall have no right, except in
161 the case of possible material misrepresentation or fraud, to conduct
162 any further or additional review, examination or audit of the
163 expenditures or costs for which such tax credits were issued. If at any
164 time after the issuance of a tax credit voucher the commission or the
165 commissioner determines that there was a material misrepresentation
166 or fraud on the part of an eligible production company in connection
167 with the submission of an expense report and the result of such
168 material misrepresentation or fraud was that (1) a specific amount of
169 tax credits was reflected on the tax credit voucher issued in response to
170 such expense report that would not have otherwise been so reflected,
171 and (2) such tax credits would otherwise be subject to a post-
172 certification remedy, such tax credits shall not be subject to any post-
173 certification remedy, and the sole and exclusive remedy of the
174 commission and the commissioner shall be to seek collection of the
175 amount of such tax credits from the eligible production company that
176 committed the fraud or misrepresentation, not from any transferee of
177 such tax credits.

178 (g) The commission, in consultation with the commissioner, shall
179 adopt regulations, in accordance with the provisions of chapter 54 of
180 the general statutes, as may be necessary for the administration of this
181 section.

182 Sec. 2. (NEW) (*Effective July 1, 2008, and applicable to income years*
183 *commencing on or after January 1, 2008*) (a) As used in this section:

184 (1) "Commissioner" means the Commissioner of Revenue Services.

185 (2) "Commission" means the Connecticut Commission on Culture
186 and Tourism.

187 (3) "Infrastructure project" means a capital project to provide basic
188 buildings, facilities or installations needed for the functioning of the
189 sound recording industry in this state.

190 (4) "Sound recording" means a recording of music, poetry or
191 spoken-word performance, including any audio made for television
192 programs, video, movies, records, distribution, additional audio
193 replacement, Internet companies and digital content. "Sound
194 recording" does not include the audio portions of dialogue or words
195 spoken and recorded as part of news coverage or athletic events.

196 (5) "State-certified project" means an infrastructure project for the
197 sound recording industry undertaken in this state by an entity that (A)
198 is in compliance with regulations adopted pursuant to subsection (e) of
199 this section, (B) is authorized to conduct business in this state, (C) is
200 not in default on a loan made by the state or a loan guaranteed by the
201 state, nor has ever declared bankruptcy under which an obligation of
202 the entity to pay or repay public funds was discharged as a part of
203 such bankruptcy, and (D) has been approved by the commission as
204 qualifying for a sound recording infrastructure tax credit under this
205 section.

206 (6) "Post-certification remedy" means the recapture, disallowance,
207 recovery, reduction, repayment, forfeiture, decertification or any other
208 remedy that would have the effect of reducing or otherwise limiting

209 the use of a tax credit provided by this section.

210 (b) (1) There shall be allowed a credit against the tax imposed under
211 chapter 207 or 208 of the general statutes to any taxpayer that invests
212 fifteen thousand dollars or more in a state-certified project. Such credit
213 shall be in an amount equal to twenty per cent of the investment made
214 by such taxpayer.

215 (2) Eligible expenditures pursuant to this section shall include all
216 expenditures for a capital project to provide buildings, facilities or
217 installations, whether leased or purchased, together with necessary
218 equipment for a sound recording facility, including musical and
219 technical equipment, planning, design, materials and construction of
220 music production, rehearsal, state set construction or recording
221 facilities.

222 (3) Any credit allowed pursuant to this section may be sold,
223 assigned or otherwise transferred, in whole or in part, to one or more
224 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
225 whole or in part, such credit.

226 (4) Any credit allowed pursuant to this section shall be claimed
227 against the tax imposed under chapter 207 or 208 of the general
228 statutes. If the amount of the credit allowable under this section
229 exceeds the sum of any taxes due from a taxpayer, any such excess
230 amount of the credit allowable under this section may be taken in any
231 of the three immediately succeeding income years.

232 (5) Any tax credit earned under this section shall be nonrefundable.

233 (6) The total amount of credits granted to all taxpayers pursuant to
234 this section shall not exceed five million dollars in any one fiscal year.

235 (c) (1) An entity undertaking an infrastructure project for a sound
236 recording facility shall apply to the commission for an eligibility
237 certificate not later than ninety days after the first expenses or costs are
238 incurred, and shall provide with such application such information as
239 the commission may require to determine such infrastructure project's

240 eligibility as a state-certified project.

241 (2) Each application for an eligibility certificate shall include: (A) A
242 detailed description of the infrastructure project; (B) a preliminary
243 budget; (C) estimated completion date; and (D) such other information
244 as the commission may require. The commission may require an
245 independent audit of all project costs and expenditures prior to
246 certification. If the commission determines that such project is eligible
247 to be a state-certified project, the commission shall indicate the amount
248 of costs or expenditures that has been established to the satisfaction of
249 the commission and issue to such entity a tax credit certification letter
250 for investors indicating the amount of tax credits available under this
251 section. The commission shall provide a copy of such letter to the
252 commissioner, upon request.

253 (3) Prior to the issuance of a state-certified project tax credit voucher
254 to a taxpayer based upon the tax credit certification letter issued
255 pursuant to subdivision (2) of this subsection, the entity undertaking
256 such infrastructure project shall provide the commission with a
257 description of the progress on such project and an estimated
258 completion date. The commission may require an independent audit of
259 all project costs and expenditures prior to issuance of such tax credit
260 voucher to a taxpayer. No such tax credit voucher may be issued prior
261 to such time as such state-certified project is shown to be not less than
262 sixty per cent complete.

263 (d) If a taxpayer sells, assigns or otherwise transfers a credit under
264 this section to another taxpayer, the transferor and transferee shall
265 jointly submit written notification of such transfer to the commission
266 not later than thirty days after such transfer. The notification shall
267 include the credit certificate number, the date of transfer, the amount
268 of such credit transferred, the tax credit balance before and after the
269 transfer, the tax identification numbers for both the transferor and the
270 transferee and any other information required by the commissioner.
271 After the initial issuance of a tax credit, such credit may be sold,
272 assigned or otherwise transferred not more than three times. Failure to

273 comply with this subsection will result in a disallowance of the tax
274 credit until there is full compliance on both the part of the transferor
275 and the transferee, and all subsequent transferors and transferees. The
276 commission shall provide a copy of the notification of assignment to
277 the commissioner upon request.

278 (e) The issuance by the commission of a tax credit voucher with
279 respect to an amount of tax credits stated thereon shall mean that none
280 of such tax credits are subject to a post-certification remedy, and that
281 the commission and the commissioner shall have no right, except in
282 the case of a possible material misrepresentation or fraud, to conduct
283 any further or additional review, examination or audit of the
284 expenditures or costs for which such tax credits were issued. If at any
285 time after the issuance of a tax credit voucher the commission or the
286 commissioner determines that there was a material misrepresentation
287 or fraud on the part of a taxpayer in connection with the submission of
288 an expense report and the result of such material misrepresentation or
289 fraud was that (1) a specific amount of tax credits was reflected on the
290 tax credit voucher issued in response to such expense report that
291 would not have otherwise been so reflected, and (2) such tax credits
292 would otherwise be subject to a post-certification remedy, such tax
293 credits shall not be subject to any post-certification remedy, and the
294 sole and exclusive remedy of the commission and the commissioner
295 shall be to seek collection of the amount of such tax credits from the
296 taxpayer that committed the fraud or misrepresentation, not from any
297 transferee of the tax credits.

298 (f) The commission, in consultation with the commissioner, shall
299 adopt regulations, in accordance with the provisions of chapter 54 of
300 the general statutes, as may be necessary for the administration of this
301 section.

302 Sec. 3. Section 10-417 of the 2008 supplement to the general statutes
303 is repealed and the following is substituted in lieu thereof (*Effective*
304 *from passage*):

305 (a) With respect to digital media and motion picture activities, the

306 Connecticut Commission on Culture and Tourism, established under
307 section 10-392, shall have the following powers and duties:

308 (1) To promote the use of Connecticut locations, structures, facilities
309 and services for the production and postproduction of all digital media
310 and motion pictures and other media-related products;

311 (2) To provide support services to visiting and in-state production
312 companies, including assistance to digital media and motion picture
313 producers in securing permits from state agencies, authorities or
314 institutions or municipalities or other political subdivisions of the
315 state;

316 (3) To develop and update a resource library concerning the many
317 possible state sites which are suitable for production;

318 (4) To develop and update a production manual of available digital
319 media and motion picture production facilities and services in the
320 state;

321 (5) To conduct and attend trade shows and production workshops
322 to promote Connecticut locations and facilities;

323 (6) To prepare an explanatory guide showing the impact of relevant
324 state and municipal tax statutes, regulations and administrative
325 opinions on typical production activities and to implement the tax
326 credits provided for in section 12-217jj of the 2008 supplement to the
327 general statutes, as amended by this act;

328 (7) To formulate and propose guidelines for state agencies for a "one
329 stop permitting" process for matters including, but not limited to, the
330 use of state roads and highways, the use of state-owned real or
331 personal property for production activities and the conduct of
332 regulated activities, and to hold workshops to assist state agencies in
333 implementing such process;

334 (8) To formulate and recommend to municipalities model local
335 ordinances and forms to assist production activities, including, but not

336 limited to, "one stop permitting" of digital media and motion picture
337 and other production activity to be conducted in a municipality, and to
338 hold workshops to assist municipalities in implementing such
339 ordinances;

340 (9) To accept any funds, gifts, donations, bequests or grants of funds
341 from private and public sources for the purposes of this section;

342 (10) To request and obtain from any state agency, authority or
343 institution or any municipality or other political subdivision of the
344 state such assistance and data as will enable the commission to carry
345 out the purposes of this section;

346 (11) To assist and promote cooperation among all segments of
347 management and labor that are engaged in digital media and motion
348 pictures;

349 (12) To take any other administrative action which may improve the
350 position of the state's digital media and motion picture production
351 industries in national and international markets.

352 (b) (1) Beginning June 1, 2008, and monthly thereafter, the
353 commission shall submit to the joint standing committees of the
354 General Assembly having cognizance of matters relating to commerce
355 and finance, revenue and bonding, a report on the status of the film
356 production tax credit, the digital animation production tax credit, and
357 the infrastructure projects tax credit. Such report shall include
358 information on activities taking place pursuant to each of such tax
359 credit programs.

360 (2) On or before January 15, 2008, and biennially thereafter, the
361 commission shall submit to the General Assembly, in accordance with
362 section 11-4a, a report on the activities of the commission under this
363 section and the estimated direct and indirect economic impact of all
364 digital media, motion pictures and related production activity in the
365 state, during the preceding calendar years. Each such report shall also
366 include an analysis of the impact on the state of each qualified

367 production, as defined in section 12-217jj of the 2008 supplement to the
368 general statutes, as amended by this act.

369 Sec. 4. (NEW) (*Effective July 1, 2008*) (a) To stimulate the growth of
370 film and digital media employment in the state, the Commission on
371 Culture and Tourism, in collaboration with the Office of Workforce
372 Competitiveness, shall:

373 (1) Work collaboratively with other agencies, as necessary, to
374 improve notification to state residents who are film industry
375 professionals of digital and media production opportunities within the
376 state. Said commission shall update and maintain an interactive web
377 site and Internet database of freelance resident film professionals, and
378 shall work with said office to improve notification of freelance feature
379 and commercial production opportunities within the state.

380 (2) Encourage membership in film industry unions by informing
381 residents about the union membership process, and encouraging
382 residents to use the application, examination and selection processes of
383 each union.

384 (3) Organize a month-long Film Industry Training Program with
385 two weeks of classroom seminars, followed by two weeks of active
386 experience in the principal areas of feature production. The program
387 shall be for individuals and students specifically seeking entry-level
388 freelance work on media projects produced in this state.

389 (4) Administer a mentorship program for residents who (A) have
390 professional experience in some aspect of the film and digital media
391 industry, (B) are graduates of relevant college-level programs, or (C)
392 have completed the Film Industry Training Program. The commission
393 shall design the mentorship program in partnership with sponsoring
394 production employers and unions. Funding for internship positions
395 shall be shared with sponsoring production employers.

396 (5) Organize biannual weekend seminars for entry-level personnel,
397 designed to provide basic orientation to the film industry for

398 beginners, give a description of freelance job positions available,
399 conduct exercises in how to relate to production staff, cast and crew,
400 and provide insight into the long and demanding hours such positions
401 will require.

402 (6) Provide any necessary support for enhancement of college level
403 educational programs in the film and digital media industry, and of
404 further curriculum development for technical and secondary schools,
405 particularly in the areas of digital media and post-production.

406 (7) Conduct research and study in the following areas: (A) The
407 barriers to resident businesses that could provide equipment and
408 services to film productions, and devise outreach and education
409 programs to inform such businesses of opportunities; (B) the most
410 effective ways to further encourage out-of-state companies to relocate
411 or establish satellite offices in Connecticut; and (C) the identification of
412 opportunities across the spectrum of digital media, including
413 postproduction, animation, gaming technology, special effects and
414 computer graphics.

415 (b) On or before January 1, 2009, and annually thereafter, the
416 Commission on Culture and Tourism, in collaboration with the Office
417 of Workforce Competitiveness, shall submit a report, in accordance
418 with the provisions of section 11-4a of the general statutes, to the joint
419 standing committees of the General Assembly having cognizance of
420 matters relating to commerce, finance, revenue and bonding and
421 higher education, regarding actions taken to implement subsection (a)
422 of this section.

423 Sec. 5. (NEW) (*Effective July 1, 2008*) (a) The Office of Workforce
424 Competitiveness, in consultation with the Departments of Education
425 and Higher Education, shall develop a film industry training program
426 to support two areas of the state's film industry, film production and
427 digital media. The program's curriculum shall be designed for
428 individuals seeking a career in the film industry.

429 (b) The training program for film production shall use a three-

430 phased model in accordance with this subsection to create a skilled
431 workforce in the film production industry in the state. Such program
432 shall provide training by members of labor organizations and practical
433 experience on motion picture projects. Courses using the curriculum
434 shall be available at locations in different regions of the state.

435 (1) The first phase course shall be an introduction to the various
436 production departments within the industry: (A) Production
437 management and direction, (B) location management, (C) production
438 office coordination, (D) budget, accounting and payroll, (E) script
439 supervision, (F) camera, (G) sound, (H) property, (I) set decoration and
440 set dressing, (J) set construction and scenic art, (K) lighting, (L) grip,
441 (M) costume and wardrobe, (N) hair and make-up, (O) special effects,
442 (P) visual effects, (Q) post production, and (R) extras casting. The first
443 phase course shall provide an overview of motion picture production,
444 set etiquette and operations, and the various positions on the set, as
445 well as providing insight into the work of a free-lance production
446 crewperson.

447 (2) For purposes of the second phase course, a selection process
448 shall be established in which trainees apply for specific department
449 training, and instructors select trainees that are best equipped to
450 achieve success in such departments. After such selection, the first two
451 weeks of the second phase course shall consist of specialized classroom
452 training in the trainees' chosen department. During this time, trainees
453 will learn, in part, by preparing a short film that will be produced
454 through the collaboration of all of the departments. The second two
455 weeks of the phase two course shall involve a collaboration of the ten
456 departments in which the departments complete production of a short
457 film. Once the production of the short film begins, instructors shall act
458 as advisers to their departments and oversee the work that trainees do
459 but shall not perform work themselves.

460 (3) The third phase course shall be an eight to twelve-week paid
461 mentorship position on a feature film. The mentorship program shall
462 be available to residents of this state who (A) have professional

463 experience in some aspect of the film and digital media industry, (B)
464 are graduates of college-level programs in such fields, and (C) have
465 successfully completed first and second phase courses of the film
466 industry training program. The mentorship program shall be designed
467 for persons who are ready to declare a professional interest in a
468 particular area of film production and have the intention of applying
469 for membership in the appropriate labor organization. Funding for the
470 mentorship program shall be shared on a percentage basis with
471 sponsoring production employers in feature film or digital media. The
472 Office of Workforce Competitiveness may provide additional
473 internship programs for individuals and students who desire entry-
474 level experience in the film and digital media industry. Funding for
475 such internship positions shall be shared with sponsoring production
476 employers in feature or digital media production.

477 (c) (1) The training program for the digital media industry shall be
478 available at middle schools and high schools, including the vocational-
479 technical high schools, and, based on articulation agreements, at two
480 and four-year institutions of higher education. The Office of Workforce
481 Competitiveness, in conjunction with the Center for 21st Century Skills
482 established by the regional educational service center, EDUCATION
483 CONNECTION, and the Connecticut College of Technology, shall
484 establish a digital media and movie making course to develop and
485 enhance academic skills, creative thinking, digital media literacy and
486 film making skills, while increasing students' knowledge of film
487 making careers through the completion of a digital film project. The
488 project shall be comprehensive and standards-based, and shall include
489 research, story development, script writing, computer-assisted design,
490 computer animation, digital audio, digital photography and digital
491 video production. Students shall organize movie production teams
492 and assume positions on the team to complete their digital film project.

493 (2) For purposes of the digital media training program, the Office of
494 Workforce Competitiveness shall: (A) Use a research-based and
495 proven experiential instructional model to deliver digital media and
496 movie making teaching and learning activities for a culturally and

497 economically diverse group of students in ten Connecticut high
498 schools; (B) use a national science foundation-recognized instructional
499 model as a foundation to develop an online digital media and movie
500 making curriculum for students in grades nine to twelve, inclusive; (C)
501 utilize the existing Connecticut Career Choices' online blended
502 learning environment for students, teachers, film industry
503 professionals and college faculty to deliver, extend and enhance digital
504 media and movie making education using a variety of Internet
505 learning technologies; (D) include professional development for high
506 school teachers in the use of the course materials with strategies to
507 adapt the curriculum for all students in all courses; and (E) arrange for
508 students to present their films at a student film festival to be held as
509 part of the annual Connecticut Innovation Exposition.

510 (d) The Office of Workforce Competitiveness shall submit two
511 reports, in accordance with section 11-4a of the general statutes, to the
512 joint standing committees of the General Assembly having cognizance
513 of matters relating to commerce and higher education and
514 employment advancement, on or before August 15, 2008, and on or
515 before March 15, 2009. Such reports shall include, but not be limited to,
516 the syllabi for the programs outlined in subsections (b) and (c) of this
517 section, an evaluation of available resources for such programs, and
518 any recommendations for changes in the curriculum.

519 Sec. 6. (NEW) (*Effective July 1, 2008*) (a) The Department of Economic
520 and Community Development, in consultation with the Labor
521 Department, the Departments of Education and Higher Education, the
522 Office of Workforce Competitiveness, and the Connecticut
523 Commission on Culture and Tourism, shall establish a program to
524 support the growth of the film industry in the state through job
525 development. Such program shall focus on the education and training
526 of a skilled professional workforce for the film and digital media
527 industries in this state. Such program shall target individuals who are
528 (1) professionals trained in the feature film industry; (2) professionals
529 trained in film and video-related media, but not experienced in feature
530 film production; (3) interested in entry into the film industry; and (4)

531 students in middle and high school and students in institutions of
532 higher education.

533 (b) The program established pursuant to subsection (a) of this
534 section shall: (1) Include resources and information available online;
535 (2) be designed to develop workforce relationships between film
536 producers and labor organizations; (3) train state film production
537 professionals in order to increase the presence of Connecticut film
538 industry professionals in major feature film productions in the state;
539 (4) include a seminar course taught by professionals in the feature film
540 industry to provide (A) information regarding work on feature film
541 productions, including information regarding the labor organization
542 application process, and (B) on-set internship opportunities with
543 industry professionals; (5) provide three-phase training for feature,
544 infomercial and commercial productions, located in various regions of
545 the state; (6) provide access to film studio resources; and (7) include
546 digital media, animation and post-production education and training
547 for middle and high school students and students at institutions of
548 higher education.

549 (c) The Departments of Education and Higher Education shall
550 jointly develop the curriculum of such program after consultation with
551 the state's public and independent institutions of higher education and
552 digital media companies in the state. Such program shall include
553 digital media internships for students and externships for teachers.

554 (d) The Department of Economic and Community Development
555 shall report, in accordance with section 11-4a of the general statutes, on
556 the development of such program to the joint standing committees of
557 the General Assembly having cognizance of matters relating to
558 commerce and higher education and employment advancement on or
559 before October 1, 2008. The report shall include: (1) An evaluation of
560 the needs and available programs and curricula in place at public
561 institutions of higher education; (2) a list of existing film production
562 companies in the state; (3) a list of existing film industry labor
563 organizations in the state; (4) available paid and unpaid internships;

564 and (5) available film studio resources.

565 Sec. 7. (NEW) (*Effective July 1, 2008*) There is established a film
566 industry equipment reserve account which shall be a separate,
567 nonlapsing account within the General Fund. The account shall
568 contain moneys appropriated for purposes of the account and any
569 donations received for deposit in the account. The Treasurer shall
570 administer the account. The Department of Economic and Community
571 Development shall use moneys in the account to provide equipment
572 for the training program established pursuant to section 6 of this act.

573 Sec. 8. Section 32-1m of the 2008 supplement to the general statutes
574 is repealed and the following is substituted in lieu thereof (*Effective July*
575 *1, 2008*):

576 (a) Not later than February 1, 2006, and annually thereafter, the
577 Commissioner of Economic and Community Development shall
578 submit a report to the Governor and the General Assembly, in
579 accordance with the provisions of section 11-4a. Not later than thirty
580 days after submission of the report to the Governor and the General
581 Assembly, said commissioner shall post the report on the Department
582 of Economic and Community Development's web site. Said report
583 shall include, but not be limited to, the following information with
584 regard to the activities of the Department of Economic and
585 Community Development during the preceding state fiscal year:

586 (1) A brief description and assessment of the state's economy during
587 such year, utilizing the most recent and reasonably available data, and
588 including:

589 (A) Connecticut employment by industry;

590 (B) Connecticut and national average unemployment;

591 (C) Connecticut gross state product, by industry;

592 (D) Connecticut productivity, by industry, compared to the national
593 average;

594 (E) Connecticut manufacturing activity;

595 (F) Identification of economic and competitive conditions affecting
596 Connecticut's industry sectors, problems resulting from these
597 conditions and state efforts to address the problems; and

598 (G) Any other economic information that the commissioner deems
599 appropriate.

600 (2) A statement of the department's economic and community
601 development objectives, measures of program success and standards
602 for granting financial and nonfinancial assistance under programs
603 administered by the department.

604 (3) An analysis of the economic development portfolio of the
605 department, including:

606 (A) A list of the names, addresses and locations of all recipients of
607 the department's assistance;

608 (B) The following information concerning each recipient of such
609 assistance: (i) Business activities, (ii) standard industrial classification
610 codes or North American industrial classification codes, (iii) number of
611 full-time jobs and part-time jobs at the time of application, (iv) number
612 of actual full-time jobs and actual part-time jobs during the preceding
613 state fiscal year, (v) whether the recipient is a minority or woman-
614 owned business, (vi) a summary of the terms and conditions for the
615 assistance, including the type and amount of state financial assistance,
616 job creation or retention requirements and anticipated wage rates, (vii)
617 the amount of investments from private and other nonstate sources
618 that have been leveraged by the assistance, (viii) the extent to which
619 employees of the recipient participate in health benefit plans offered
620 by such recipient, (ix) the extent to which the recipient offers unique
621 economic, social, cultural or aesthetic attributes to the municipality in
622 which the recipient is located or to the state, and (x) the amount of
623 state investment;

624 (C) A portfolio analysis, including (i) an analysis of the wages paid

625 by recipients of financial assistance, (ii) the average portfolio wage,
626 median portfolio wage, highest and lowest portfolio wage, (iii)
627 portfolio wage data by industry, and (iv) portfolio wage data by
628 municipality;

629 (D) An investment analysis, including (i) total portfolio value, (ii)
630 total investment by industry, (iii) portfolio dollar per job average, (iv)
631 portfolio leverage ratio, and (v) percentage of financial assistance
632 which was provided to high performance work organizations in the
633 preceding state fiscal year; and

634 (E) An analysis of the estimated economic effects of the
635 department's economic development investments on the state's
636 economy, including (i) contribution to gross state product for the total
637 economic development portfolio and for any investment activity
638 occurring in the preceding state fiscal year, (ii) direct and indirect
639 employment created by the investments for the total portfolio and for
640 any investment activity occurring in the preceding state fiscal year, (iii)
641 productivity of recipients of financial assistance as a result of the
642 department's investment occurring in the preceding state fiscal year,
643 (iv) directly or indirectly increased property values in the
644 municipalities in which the recipients of assistance are located, and (v)
645 personal income.

646 (4) An analysis of the community development portfolio of the
647 department, including:

648 (A) A list of the names, addresses and locations of all recipients of
649 the department's assistance;

650 (B) The following information concerning each recipient of such
651 assistance: (i) Amount of state investment, (ii) a summary of the terms
652 and conditions for the department's assistance, including the type and
653 amount of state financial assistance, and (iii) the amount of
654 investments from private and other nonstate sources that have been
655 leveraged by such assistance;

656 (C) An investment analysis, including (i) total active portfolio value,
657 (ii) total investments made in the preceding state fiscal year, (iii) total
658 portfolio by municipality, (iv) total investments made in the preceding
659 state fiscal year categorized by municipality, (v) total portfolio
660 leverage ratio, and (vi) leverage ratio of the total investments made in
661 the preceding state fiscal year; and

662 (D) An analysis of the estimated economic effects of the
663 department's economic development investments on the state's
664 economy, including (i) contribution to gross state product for the total
665 portfolio and for any investment activity occurring in the preceding
666 state fiscal year, (ii) direct and indirect employment created by the
667 investments for the total portfolio and for any investment activity
668 occurring in the preceding state fiscal year, (iii) productivity of
669 recipients of financial assistance as a result of the department's
670 investment occurring in the preceding state fiscal year, (iv) directly or
671 indirectly increased property values in the municipalities in which the
672 recipients are located, and (v) personal income.

673 (5) A summary of the department's economic and community
674 development marketing efforts in the preceding state fiscal year, a
675 summary of the department's business recruitment strategies and
676 activities in such year, and a summary of the department's efforts to
677 assist small businesses and minority business enterprises in such year.

678 (6) A summary of the department's international trade efforts in the
679 preceding state fiscal year, and, to the extent possible, a summary of
680 foreign direct investment that occurred in the state in such year.

681 (7) Identification of existing economic clusters, the formation of new
682 economic clusters, the measures taken by the commissioner during the
683 preceding state fiscal year to encourage the growth of economic
684 clusters and the amount of bond funds expended by the department
685 during the previous fiscal year on each economic cluster.

686 (8) (A) A summary of the department's brownfield-related efforts
687 and activities within the Office of Brownfield Remediation and

688 Development established pursuant to subsections (a) to (f), inclusive,
689 of section 32-9cc of the 2008 supplement to the general statutes in the
690 preceding state fiscal year, except for activity under the Special
691 Contaminated Property Remediation and Insurance Fund program.
692 Such efforts shall include, but not be limited to, (i) total portfolio
693 investment in brownfield remediation projects, (ii) total investment in
694 brownfield remediation projects in the preceding state fiscal year, (iii)
695 total number of brownfield remediation projects, (iv) total number of
696 brownfield remediation projects in the preceding state fiscal year, (v)
697 total of reclaimed and remediated acreage, (vi) total of reclaimed and
698 remediated acreage in the preceding state fiscal year, (vii) leverage
699 ratio for the total portfolio investment in brownfield remediation
700 projects, and (viii) leverage ratio for the total portfolio investment in
701 brownfield remediation projects in the preceding state fiscal year. Such
702 summary shall include a list of such brownfield remediation projects
703 and, for each such project, the name of the developer and the location
704 by street address and municipality and a tracking of all funds
705 administered through or by said office;

706 (B) A summary of the department's efforts with regard to the
707 Special Contaminated Property Remediation and Insurance Fund,
708 including, but not limited to, (i) the number of applications received in
709 the preceding state fiscal year, (ii) the number and amounts of loans
710 made in such year, (iii) the names of the applicants for such loans, (iv)
711 the average time period between submission of application and the
712 decision to grant or deny the loan, (v) a list of the applications
713 approved and the applications denied and the reasons for such
714 denials, and (vi) for each project, the location by street address and
715 municipality; and

716 (C) A summary of the department's efforts with regard to the dry
717 cleaning grant program, established pursuant to section 12-263m of the
718 2008 supplement to the general statutes, including, but not limited to,
719 (i) information as to the number of applications received, (ii) the
720 number and amounts of grants made since the inception of the
721 program, (iii) the names of the applicants, (iv) the time period between

722 submission of application and the decision to grant or deny the loan,
723 (v) which applications were approved and which applications were
724 denied and the reasons for any denials, and (vi) a recommendation as
725 to whether the surcharge and grant program established pursuant to
726 section 12-263m of the 2008 supplement to the general statutes should
727 continue.

728 (9) The following information concerning enterprise zones
729 designated under section 32-70:

730 (A) A statement of the current goals for enterprise zones;

731 (B) A statement of the current performance standards to measure
732 the progress of municipalities that have enterprise zones in attaining
733 the goals for such zones;

734 (C) A report from each municipality that has an enterprise zone,
735 which evaluates the progress of the municipality in meeting the
736 performance standards established under section 32-70a; and

737 (D) An assessment of the performance of each enterprise zone based
738 on information collected under subparagraph (C) of this subdivision.

739 (10) With regard to the department's housing-development-related
740 functions and activities:

741 (A) A brief description and assessment of the state's housing market
742 during the preceding state fiscal year, utilizing the most recent and
743 reasonably available data, and including, but not limited to, (i) a brief
744 description of the significant characteristics of such market, including
745 supply, demand and condition and cost of housing, and (ii) any other
746 information that the commissioner deems appropriate;

747 (B) A comprehensive assessment of current and future needs for
748 rental assistance under section 8-119kk for housing projects for the
749 elderly and disabled, in consultation with the Connecticut Housing
750 Finance Authority;

751 (C) An analysis of the progress of the public and private sectors
752 toward meeting housing needs in the state, using building permit data
753 from the United States Census Bureau and demolition data from
754 Connecticut municipalities;

755 (D) A list of municipalities that meet the affordable housing criteria
756 set forth in subsection (k) of section 8-30g, pursuant to regulations that
757 the Commissioner of Economic and Community Development shall
758 adopt pursuant to the provisions of chapter 54. For the purpose of
759 determining the percentage required by subsection (k) of said section
760 8-30g, the commissioner shall use as the denominator the number of
761 dwelling units in the municipality, as reported in the most recent
762 United States decennial census; and

763 (E) A statement of the department's housing development
764 objectives, measures of program success and standards for granting
765 financial and nonfinancial assistance under programs administered by
766 said commissioner.

767 (11) A presentation of the state-funded housing development
768 portfolio of the department, including:

769 (A) A list of the names, addresses and locations of all recipients of
770 such assistance; and

771 (B) For each such recipient, (i) a summary of the terms and
772 conditions for the assistance, including the type and amount of state
773 financial assistance, (ii) the amount of investments from private and
774 other nonstate sources that have been leveraged by the assistance, (iii)
775 the number of new units to be created and the number of units to be
776 preserved at the time of the application, and (iv) the number of actual
777 new units created and number of units preserved.

778 (12) An analysis of the state-funded housing development portfolio
779 of the department, including:

780 (A) An investment analysis, including the (i) total active portfolio
781 value, (ii) total investment made in the preceding state fiscal year, (iii)

782 portfolio dollar per new unit created, (iv) estimated dollars per new
783 unit created for projects receiving an assistance award in the preceding
784 state fiscal year, (v) portfolio dollars per unit preserved, (vi) estimated
785 dollar per unit preserved for projects receiving an assistance award in
786 the preceding state fiscal year, (vii) portfolio leverage ratio, and (viii)
787 leverage ratio for housing development investments made in the
788 preceding state fiscal year; and

789 (B) A production and preservation analysis, including (i) the total
790 number of units created, itemized by municipality, for the total
791 portfolio and projects receiving an assistance award in the preceding
792 state fiscal year, (ii) the total number of elderly units created for the
793 total portfolio and for projects receiving an assistance award in the
794 preceding state fiscal year, (iii) the total number of family units created
795 for the total portfolio and for projects receiving an assistance award in
796 the preceding state fiscal year, (iv) the total number of units preserved,
797 itemized by municipality, for the total portfolio and projects receiving
798 an assistance award in the preceding state fiscal year, (v) the total
799 number of elderly units preserved for the total portfolio and for
800 projects receiving an assistance award in the preceding state fiscal
801 year, (vi) the total number of family units preserved for the total
802 portfolio and for projects receiving an assistance award in the
803 preceding state fiscal year, (vii) an analysis by income group of
804 households served by the department's housing construction,
805 substantial rehabilitation, purchase and rental assistance programs, for
806 each housing development, if applicable, and for each program,
807 including number of households served under each program by race
808 and data for all households, and (viii) a summary of the department's
809 efforts in promoting fair housing choice and racial and economic
810 integration, including data on the racial composition of the occupants
811 and persons on the waiting list of each housing project that is assisted
812 under any housing program established by the general statutes or a
813 special act or that is supervised by the department, provided no
814 information shall be required to be disclosed by any occupant or
815 person on a waiting list for the preparation of such summary. As used
816 in this subparagraph, "elderly units" means dwelling units for which

817 occupancy is restricted by age, and "family units" means dwelling
818 units for which occupancy is not restricted by age.

819 (13) An economic impact analysis of the department's housing
820 development efforts and activities, including, but not limited to:

821 (A) The contribution of such efforts and activities to the gross state
822 product;

823 (B) The direct and indirect employment created by the investments
824 for the total housing development portfolio and for any investment
825 activity for such portfolio occurring in the preceding state fiscal year;
826 and

827 (C) Personal income in the state.

828 (14) With regard to the Housing Trust Fund and Housing Trust
829 Fund program, as those terms are defined in section 8-336m:

830 (A) Activities for the prior fiscal year of the Housing Trust Fund and
831 the Housing Trust Fund program; and

832 (B) The efforts of the department to obtain private support for the
833 Housing Trust Fund and the Housing Trust Fund program.

834 (15) With regard to the department's energy conservation loan
835 program:

836 (A) The number of loans or deferred loans made during the
837 preceding fiscal year under each component of such program and the
838 total amount of the loans or deferred loans made during such fiscal
839 year under each such component;

840 (B) A description of each step of the loan or deferred loan
841 application and review process;

842 (C) The location of each loan or deferred loan application intake site
843 for such program;

844 (D) The average time period for the processing of loan or deferred
845 loan applications during such fiscal year; and

846 (E) The total administrative expenses of such program for such
847 fiscal year.

848 (16) With regard to the film industry in the state:

849 (A) An analysis of activities undertaken by the department to
850 support the growth of such industry;

851 (B) A brief description of marketing efforts undertaken by the
852 department to persons and organizations both inside and outside the
853 state to publicize the tax credits offered to film production companies
854 and digital animation companies for (i) productions, (ii) infrastructure
855 development, and (iii) job creation; and

856 (C) Recommendations for continuing the development of the film
857 and entertainment industries in the state.

858 ~~[(16)]~~ (17) A summary of the total social and economic impact of the
859 department's efforts and activities in the areas of economic,
860 community and housing development, and an assessment of the
861 department's performance in terms of meeting its stated goals and
862 objectives.

863 (b) Any annual report that is required from the department by any
864 provision of the general statutes shall be incorporated into the annual
865 report provided pursuant to subsection (a) of this section.

866 Sec. 9. Subsection (a) of section 12-217jj of the 2008 supplement to
867 the general statutes is repealed and the following is substituted in lieu
868 thereof (*Effective July 1, 2008, and applicable to income years commencing*
869 *on or after January 1, 2008*):

870 (a) As used in this section:

871 (1) "Commissioner" means the Commissioner of Revenue Services.

872 (2) "Commission" means the Connecticut Commission on Culture
873 and Tourism.

874 (3) (A) "Qualified production" means entertainment content created
875 in whole or in part within the state, including motion pictures;
876 documentaries; long-form, specials, mini-series, series, [sound
877 recordings,] videos and music videos and interstitials television
878 programming; interactive television; interactive games; videogames;
879 commercials; infomercials; any format of digital media, including an
880 interactive web site, created for distribution or exhibition to the
881 general public; and any trailer, pilot, video teaser or demo created
882 primarily to stimulate the sale, marketing, promotion or exploitation of
883 future investment in either a product or a qualified production via any
884 means and media in any digital media format, film or videotape,
885 provided such program meets all the underlying criteria of a qualified
886 production.

887 (B) "Qualified production" shall not include any ongoing television
888 program created primarily as news, weather or financial market
889 reports, a production featuring current events, sporting events, an
890 awards show or other gala event, a production whose sole purpose is
891 fundraising, a long-form production that primarily markets a product
892 or service, a production used for corporate training or in-house
893 corporate advertising or other similar productions, or any production
894 for which records are required to be maintained under 18 USC 2257
895 with respect to sexually explicit content.

896 (4) "Eligible production company" means a corporation, partnership,
897 limited liability company, or other business entity engaged in the
898 business of producing qualified productions on a one-time or ongoing
899 basis, and qualified by the Secretary of the State to engage in business
900 in the state.

901 (5) "Production expenses or costs" means all expenditures clearly
902 and demonstrably incurred in the state in the development,
903 preproduction, production or postproduction costs of a qualified
904 production, including:

905 (A) Expenditures incurred in the state in the form of either
906 compensation or purchases including production work, production
907 equipment not eligible for the infrastructure tax credit provided in
908 section 12-217kk of the 2008 supplement to the general statutes,
909 production software, postproduction work, postproduction
910 equipment, postproduction software, set design, set construction,
911 props, lighting, wardrobe, makeup, makeup accessories, special
912 effects, visual effects, audio effects, film processing, music, sound
913 mixing, editing, location fees, soundstages and any and all other costs
914 or services directly incurred in connection with a state-certified
915 qualified production;

916 (B) Expenditures for distribution, including preproduction,
917 production or postproduction costs relating to the creation of trailers,
918 marketing videos, commercials, point-of-purchase videos and any and
919 all content created on film or digital media, including the duplication
920 of films, videos, CDs, DVDs and any and all digital files now in
921 existence and those yet to be created for mass consumer consumption;
922 the purchase, by a company in the state, of any and all equipment
923 relating to the duplication or mass market distribution of any content
924 created or produced in the state by any digital media format which is
925 now in use and those formats yet to be created for mass consumer
926 consumption; and

927 (C) "Production expenses or costs" does not include the following:
928 (i) On and after January 1, 2008, compensation in excess of fifteen
929 million dollars paid to any individual or entity representing an
930 individual, for services provided in the production of a qualified
931 production; (ii) media buys, promotional events or gifts or public
932 relations associated with the promotion or marketing of any qualified
933 production; (iii) deferred, leveraged or profit participation costs
934 relating to any and all personnel associated with any and all aspects of
935 the production, including, but not limited to, producer fees, director
936 fees, talent fees and writer fees; (iv) costs relating to the transfer of the
937 production tax credits; and (v) any amounts paid to persons or
938 businesses as a result of their participation in profits from the

939 exploitation of the qualified production.

940 [(6) "Sound recording" means a recording of music, poetry or
941 spoken-word performance, but does not include the audio portions of
942 dialogue or words spoken and recorded as part of a motion picture,
943 video, theatrical production, television news coverage or athletic
944 event.]

945 [(7)] (6) "State-certified qualified production" means a qualified
946 production produced by an eligible production company that (A) is in
947 compliance with regulations adopted pursuant to subsection (g) of this
948 section, (B) is authorized to conduct business in this state, and (C) has
949 been approved by the commission as qualifying for a production tax
950 credit under this section.

951 [(8)] (7) "Interactive web site" means a web site, the production costs
952 of which (A) exceed five hundred thousand dollars per income year,
953 and (B) is primarily (i) interactive games or end user applications, or
954 (ii) animation, simulation, sound, graphics, story lines or video created
955 or repurposed for distribution over the Internet. An interactive web
956 site does not include a web site primarily used for institutional,
957 private, industrial, retail or wholesale marketing or promotional
958 purposes, or which contains obscene content.

959 [(9)] (8) "Post-certification remedy" means the recapture,
960 disallowance, recovery, reduction, repayment, forfeiture,
961 decertification or any other remedy that would have the effect of
962 reducing or otherwise limiting the use of a tax credit provided by this
963 section.

964 Sec. 10. (*Effective July 1, 2008*) The sum of one million dollars is
965 appropriated to The University of Connecticut, from the General Fund,
966 for the fiscal year ending June 30, 2009, for the purpose of planning
967 and developing a digital media program.

968 Sec. 11. (*Effective July 1, 2008*) The sum of five hundred thousand
969 dollars is appropriated to The University of Connecticut, from the

970 General Fund, for the fiscal year ending June 30, 2009, for the purpose
971 of purchasing equipment and software for a digital media program.

972 Sec. 12. (*Effective July 1, 2008*) The sum of ____ dollars is
973 appropriated to the Department of Economic and Community
974 Development from the General Fund, for the fiscal year ending June
975 30, 2009, for the purposes of section 6 of this act.

976 Sec. 13. (*Effective July 1, 2008*) The sum of ____ dollars is
977 appropriated to the film industry equipment reserve account, from the
978 General Fund, for the fiscal year ending June 30, 2009, for purposes of
979 section 7 of this act.

980 Sec. 14. (*Effective July 1, 2008*) The sum of _____ dollars is
981 appropriated to the Commission on Culture and Tourism, from the
982 General Fund, for the fiscal year ending June 30, 2009, for organizing
983 and managing the Connecticut Film Festival of 2009.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 2	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 3	<i>from passage</i>	10-417
Sec. 4	<i>July 1, 2008</i>	New section
Sec. 5	<i>July 1, 2008</i>	New section
Sec. 6	<i>July 1, 2008</i>	New section
Sec. 7	<i>July 1, 2008</i>	New section
Sec. 8	<i>July 1, 2008</i>	32-1m
Sec. 9	<i>July 1, 2008, and applicable to income years commencing on or after January 1, 2008</i>	12-217jj(a)
Sec. 10	<i>July 1, 2008</i>	New section

Sec. 11	<i>July 1, 2008</i>	New section
Sec. 12	<i>July 1, 2008</i>	New section
Sec. 13	<i>July 1, 2008</i>	New section
Sec. 14	<i>July 1, 2008</i>	New section

FIN *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Commission on Arts, Tourism, Culture, History and Film	GF - Cost	under 250,000	under 250,000
Workforce Competitiveness, Off.	GF - Cost	1.2 million - 1.4 million	1.2 million - 1.4 million
Constituent Units of Higher Education; Education, Dept.	GF - Cost	See Below	See Below
Department of Economic & Community Development	GF - Cost	Significant	Significant
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	See Below	See Below
Department of Revenue Services	GF - Revenue Loss	up to \$10 million	up to \$10 million

Note: GF=General Fund

Municipal Impact: None

Explanation

Sections 1, 2, and 9 of the bill establish new transferable tax credits against the corporation and insurance premium taxes for (1) sound recording production expenses in the state that exceed \$5,000, and (2) investments of \$15,000 or more in sound recording infrastructure projects in the state. The bill is anticipated to result in an annual General Fund revenue loss up to \$10 million beginning as early as FY 09 but it is more likely that the state will not begin to realize a loss until FY 10.

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The first year fringe benefit costs for new positions do not include pension costs. The estimated first year fringe benefit rate as a percentage of payroll is 25.36%. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS fringe benefit rate is 33.27%, which when combined with the rate for non-pension fringe benefits totals 58.63%.

Sections 1 and 2 of the bill could also result in a cost to the Connecticut Commission on Culture and Tourism (CCCT) associated with a Senior Program Associate (annual salary of \$76,000 plus full fringe benefits of \$45,000) and Program Associate (annual salary of \$64,000 plus full fringe benefits of \$38,000) to administer the new tax credit programs. The bill could also result in additional minimal costs associated with staff computers and operating expenses. To the extent that CCCT would be required to promote the programs, marketing expenses would also be incurred.

Section 3, which requires CCCT to submit monthly reports to the Commerce and Finance committees on the status of the film production, digital animation, and infrastructure projects tax credit, has no fiscal impact.

Section 4 will result in a cost to CCCT of under \$20,000 associated with a four week training program, biannual weekend seminars, internship opportunities, research, and marketing. Additional minimal costs for over-time or part-time personnel to staff events, as well as an additional staff person (annual salary of \$60,000 plus full fringe benefits of \$35,000) to focus on the education and planning component could also be incurred.

Section 5 will result in a cost to the Office of Workforce Competitiveness (OWC) of between \$900,000 and \$1.1 million for the film production training program and \$250,000 for the digital media training program. The first two phases of the training program are estimated to cost \$500,000 associated with instructors, studio time or site rental, and supplies. The third phase of the program, the paid mentorship, is estimated to cost \$400,000 to \$600,000 associated with stipends for participating students.

The cost to OWC to administer the digital media training program is associated with: personnel costs such as teacher stipends, a curriculum development specialist, professional development for teachers, and technology and internet support (approximately \$100,000); equipment and operational costs such as hi-definition

cameras, multi-media televisions, and laptops (approximately \$100,000); and the student film festival to be offered as part of the annual Connecticut Innovations Exposition (approximately \$50,000).

To the extent that local and regional middle schools and high schools, vocational-technical high schools, and two and four-year institutions of higher education must offer a new course in digital media, a potential cost could result.

Section 6 will result in a significant cost to the Department of Economic and Community Development (DECD) associated with establishing and implementing a film industry job development program. Costs could include personnel, a seminar course, film and digital media training, internships, and access to film studio resources.

This section will also result in a cost of between \$50,000 and \$100,000 to the Departments of Education and Higher Education associated with developing the curriculum for the program. The budget bill, sHB 5021 as favorably reported by the Appropriations Committee, does not contain funding for such purposes.

Section 7 establishes the film industry equipment account as a separate, nonlapsing account within the General Fund. This account, administered by the Treasurer, will be used by DECD to provide equipment for the training program established in Section 6 of the bill. The budget bill, sHB 5021 as favorably reported by the Appropriations Committee, does not contain funding for such purposes.

Section 8, which requires DECD to include information regarding the film industry in its annual report, has no fiscal impact.

Section 10 and 11 appropriates \$1.0 million to the University of Connecticut to plan and develop a digital media program, and \$500,000 to purchase equipment for such program.

The bill makes other minor and technical changes that have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, except for the cost associated with curriculum development, which is one time in nature.

OLR Bill Analysis**sHB 5843*****AN ACT CONCERNING ENTERTAINMENT INDUSTRY TAX CREDIT PROGRAMS.*****SUMMARY:**

This bill establishes new transferable tax credits against the corporation and insurance premium taxes for (1) sound recording production expenses in the state that exceed \$5,000 and (2) investments of \$15,000 or more in sound recording infrastructure projects in the state. The sound recording production expense credit is either 25% or 30%, depending on the amount spent. The infrastructure credit is 20% of the amount invested. The aggregate annual limit for each credit is \$5 million.

The bill establishes three film industry training programs. One requires the Connecticut Commission on Culture and Tourism (CCCT) to collaborate with the Office of Workforce Competitiveness (OWC) to stimulate film and digital media employment in Connecticut. The second requires OWC to establish a film industry training program to support film and digital media production in the state and establishes a special account in the General Fund to fund equipment purchases for the training program. The third requires the Department of Economic and Community Development (DECD), in consultation with the departments of Education, Labor, and Higher Education, to establish a film industry job development program.

The bill requires CCCT and DECD to provide additional reports to legislative committees concerning the film and digital media industries in Connecticut and their related activities.

Finally, the bill makes the following General Fund appropriations for FY 09:

1. \$1 million to the UConn for planning and developing a digital media program (§ 10),
2. \$500,000 to UConn to buy equipment and software for the program (§ 11),
3. an unspecified amount to DECD for the film industry job development program the bill establishes (§ 12),
4. an unspecified amount to the film industry equipment reserve account the bill establishes (§ 13), and
5. an unspecified amount to CCCT for organizing and managing the Connecticut Film Festival of 2009 (§ 14).

EFFECTIVE DATE: July 1, 2008, except for CCCT's new film credit reporting requirements, which are effective on passage. The sound recording tax credits apply to income years starting on or after January 1, 2008.

§§ 1 & 9 — SOUND RECORDING PRODUCTION EXPENSE TAX CREDIT

The new sound recording production expense credit is modeled closely on the state's existing 30% film production expense credit, with the following major changes. The credit is administered by CCCT.

Credit Amounts

Like the film credit, the new sound recording credit is transferable and applies against the corporation and insurance premium taxes. The credit for qualifying expenses of more than \$5,000 but less than \$15,000 is 25%; for expenses of \$15,000 or more, the credit is 30%. The aggregate annual limit for all sound production expense credits is \$5 million, although CCCT can treat excess credits in any fiscal year as having been applied for on the first day of the subsequent year.

As with the existing film credit, sound production expense credits may be sold or otherwise transferred up to three times and excess credits can be carried forward for up to three years.

Qualified Sound Recordings

Under current law, certain sound recording production expenses qualify for the 30% film production expense credit. This bill expands the definition of sound recordings eligible for the new credit and eliminates their eligibility for the film production credit.

Under current law, recordings of music, poetry, or spoken word performances are eligible for the film production credit. These performances are also eligible for the new credit. The film production credit excludes audio portions of dialogue and spoken words recorded as part of a movie, video, theatrical production, or television coverage of a news or athletic event. The new credit covers expenses for audios made for television programs, videos, movies, records, distribution, additional audio replacement, Internet companies, and digital content. The new credit continues to exclude audio portions of dialogue and spoken words recorded as part of a news or athletic event.

Eligible Expenses

To be eligible for the sound recording credit, eligible production expenses must exceed \$5,000. Eligible expenses under the bill are generally the same as the eligible expenses for the film production credit. Some specific film-related expenses are not covered under the new credit, such as those for sets, makeup, visual effects, film processing, editing, and location fees. The sound recording credit covers expenses for duplicating records but not for commercials and point-of-purchase videos. Expenses for production equipment that are eligible for the sound recording or film infrastructure tax credits (see below) are not eligible for the new production credit.

The bill requires all expenses eligible for a sound recording production credit to be incurred in Connecticut and disallows any expenses incurred out-of-state even if they are later used here to produce recordings. On and after January 1, 2008, the bill also limits credit-eligible compensation to a single person, or the person's representative, for services the person provides for a sound recording production to \$1 million.

Credit Administration

The bill imposes the same application, voucher, transfer, post-certification remedy, and other requirements for the new credits as already apply to the film production and digital animation credits. It requires CCCT to adopt regulations, in consultation with Department of Revenue Services (DRS), to administer the sound recording credits.

§ 2 — SOUND RECORDING INDUSTRY INFRASTRUCTURE TAX CREDIT

The bill's sound recording industry infrastructure credit is modeled closely on the state's existing film infrastructure credit. It uses the same sound recording definition for the infrastructure credit as for the production credit above.

Credit

The bill establishes a transferable tax credit for investments of \$15,000 or more in basic buildings, facilities, or installations needed for the sound recording industry to work in Connecticut. The credit is 20% of the eligible investment. The sound recording infrastructure credit applies against the insurance premium and corporation taxes. The total aggregate amount of credits is limited to \$5 million per year.

As with the existing film infrastructure credits, sound production infrastructure credits may be sold or otherwise transferred up to three times and excess credits can be carried forward for up to three years.

Eligible Expenses

All money spent on a capital project for leased or purchased sound recording production buildings, facilities, and installations is eligible for an infrastructure credit under the bill. Eligible expenses include those for (1) musical and technical equipment and (2) planning, design, and materials for, and construction of, music production, rehearsal, set construction, or recording facilities.

Credit Administration

The bill requires the CCCT to administer the sound recording infrastructure credits and imposes the same application, voucher,

transfer, post-certification remedy, and other requirements for the new credits as already apply to the film infrastructure credits. It requires CCCT to adopt regulations, in consultation with the DRS commissioner, to administer the infrastructure credits.

§ 3 — CCCT FILM TAX CREDIT REPORTING REQUIREMENT

The bill requires the CCCT to submit monthly reports, beginning by June 1, 2008, to the Commerce and Finance committees on the status of the film production, digital animation, and infrastructure projects tax credits. The reports must including information on activities taking place because of each credit.

§ 4 — CCCT FILM EMPLOYMENT GROWTH PROGRAM

The bill requires CCCT to collaborate with OWC to stimulate the growth of film and digital media employment in the state. It requires CCCT to collaborate with other agencies to notify film professionals living in Connecticut of film production opportunities here. CCCT must (1) maintain an interactive website and Internet database of freelance film professionals who live here and (2) work with OWC to improve notice of freelance feature and commercial production opportunities here.

CCCT must also:

1. encourage membership in film industry unions by informing residents about union membership processes, and encouraging use of the unions' applications, examination, and selection processes;
2. organize a month-long Film Industry Training Program for people seeking entry-level freelance media production work in Connecticut, with two weeks of classroom seminars followed by two weeks of active experience in the principal areas of feature production;
3. administer a mentorship program for residents who (a) have some professional film experience, (b) are graduates of relevant

college programs, or (c) have completed the Film Industry Training Program;

4. organize twice-a-year weekend seminars for entry-level personnel to provide a basic orientation to the film industry, describe available freelance jobs, conduct exercises in how to relate to production staff, cast, and crew, and give insight into the long and demanding hours required; and
5. provide necessary support to enhance college-level film education programs and further curriculum development for secondary and technical schools, especially in digital media and post-production.

CCCT must design the required mentorship program in partnership with sponsoring production employers and unions. The bill requires sponsoring production employers to share the funding for internship positions. (The bill does not specify with whom the employers share funding.)

The bill also requires CCCT to research and study:

1. barriers to Connecticut businesses that could provide equipment and services to film productions and devise education and outreach programs to inform the businesses of opportunities;
2. the most effective ways to encourage out-of-state companies to relocate or open satellite offices in the state; and
3. how to identify opportunities in all digital media areas, including post-production, animation, gaming technology, special effects, and computer graphics.

CCCT and OWC must collaborate on an annual report to the Commerce, Finance, and Higher Education committees on the steps CCCT takes to implement the film employment growth program. The first report is due by January 1, 2009.

§ 5 — FILM AND DIGITAL MEDIA TRAINING AND INTERNSHIP PROGRAMS

Film Industry Training Program

The bill requires OWC, in consultation with the State Department of Education (SDE) and Department of Higher Education (DHE), to develop a film industry training program to support two areas of the state's film industry: film production and digital media. The program's curriculum must be designed for individuals seeking a career in the film industry.

The film production training program must use a three-phase model to create a skilled film industry workforce in the state. The program must provide (1) training by labor organization members and (2) practical experience on motion picture projects. Courses using the program's curriculum must be available in different regions of the state.

Phase One: Introduction to Film Industry. The first-phase course must be an introduction to the various production departments in the film industry listed in the bill. They are: (1) production management and direction; (2) location management; (3) production office coordination; (4) budget, accounting, and payroll; (5) script supervision; (6) camera; (7) sound; (8) property; (9) set decoration and set dressing; (10) set construction and scenic art; (11) lighting; (12) grip; (13) costume and wardrobe; (14) hair and make-up; (15) special effects; (16) visual effects; (17) post production; and (18) extras casting.

The course must also provide (1) an overview of motion picture production, (2) set etiquette and operations, (3) various positions on the set, and (4) insight into the work of a freelance production crewperson.

Phase Two: Producing a Short Film. The second-phase course requires trainees to apply for specific department training. Course instructors must select trainees who are best equipped to achieve success in the departments. The bill requires the first two weeks of the course to consist of specialized classroom training in the trainees'

chosen department and preparation of a short film that will be produced in collaboration with all of the departments. The trainees must collaborate with the 10 departments to complete production of the short film during the second two weeks of the course. (It is not clear what the 10 departments are. For Phase One of the program, the bill lists 18 departments. Also, the bill is unclear whether trainees produce one or two short films.)

The bill requires that instructors oversee work, but not perform, once the production of the short film begins.

Phase Three: Paid Mentorship Position. The third-phase course must be an eight to 12-week paid mentorship position on a feature film for state residents who (1) have professional experience in some aspect of the film and digital media industry, (2) graduated from college-level programs in such fields, and (3) have successfully completed the film industry training program's first- and second-phase courses. The mentorship program must be designed for people who (1) are ready to declare a professional interest in a particular area of film production and (2) intend to apply for membership in an appropriate labor organization.

The bill requires sponsoring production employers in feature film or digital media to pay for an unspecified percentage of the mentorship program.

Internship Programs

The bill allows OWC to provide additional internship programs for individuals and students who desire entry-level experience in the film and digital media industry. It requires sponsoring production employers in feature or digital media production to pay for part of the program, but does not specify how much.

Digital Media Training Program and Course

The bill requires OWC, in conjunction with the (1) Center for 21st Century Skills established by EDUCATION CONNECTION, the regional educational service center located in Litchfield, and (2) the

Connecticut College of Technology, to establish a digital media and movie-making course. The course must develop and enhance academic skills, creative thinking, digital medial literacy, and film making skills, while increasing students' knowledge of film-making careers through completion of a digital film project.

The program must be available at middle schools, high schools, vocational-technical high schools, and, based on articulation agreements, two-and four-year higher education institutions.

The project must (1) be comprehensive and standards-based and (2) include research, story development, script writing, computer-assisted design, computer animation, digital audio, digital photography, and digital video production. Students must organize and assume positions on movie production teams to complete their digital film project.

OWC must:

1. use a research-based and proven experiential instructional model to deliver digital media and movie-making teaching and learning activities for a culturally and economically diverse group of students in 10 Connecticut high schools;
2. use an instructional model recognized by the National Science Foundation to develop an online digital media and movie-making curriculum for students in grades nine through 12;
3. use the existing Connecticut Career Choices' online blended learning environment for students, teachers, film industry professionals, and college faculty to deliver, extend, and enhance digital media and movie-making education using a variety of Internet learning technologies;
4. include professional development for high school teachers in the use of the course material with strategies to adapt the curriculum for all students in all courses; and

5. arrange for students to present their films at a student film festival to be held as part of the annual Connecticut Innovations Exposition.

Reporting Requirement

The bill requires OWC to report, by August 15, 2008 and March 15, 2009, to the Commerce and Higher Education and Employment Advancement committees. The reports must include (1) the film industry and digital media programs' syllabi, (2) an evaluation of resources available for the programs, and (3) recommendations for curriculum changes.

§ 6 — FILM INDUSTRY JOB DEVELOPMENT PROGRAM

The bill requires DECD to establish a program to support job development for the state's film industry. It must do so in consultation with the Labor Department, SDE, DHE, OWC, and CCCT.

The program must emphasize education and training to develop a skilled workforce for the film and digital media industries in Connecticut. It must target those who are (1) trained feature film industry professionals; (2) professionals trained in film and video-related media but not experienced in feature film production; (3) interested in entering the film industry; and (4) middle school, high school, and college students.

The job development program must:

1. include online resources and information,
2. be designed to develop workforce relationships between film producers and unions;
3. train Connecticut film production professionals to increase their presence in major film productions in the state;
4. include a seminar, taught by professionals in the Connecticut feature film production industry, to provide information on (a) working on feature films, including how to apply for union

membership and (b) on-set internship opportunities;

5. provide three-phase training for feature, infomercial, and commercial productions in various areas of the state;
6. provide access to film studio resources; and
7. include digital media, animation, and post-production education and training for middle school, high school, and college students.

The bill requires SDE and DHE to jointly develop the curriculum for the film industry job development program after consulting the state's public and independent colleges and universities and its digital media companies. The program must include digital media internships for students and externships for teachers.

DECD must report by October 1, 2008 to the Commerce and Higher Education committees on the program's development, including:

1. an evaluation of needs and available programs and curricula at public colleges and universities,
2. a list of Connecticut film production companies and film industry unions,
3. available paid and unpaid internships, and
4. available film studio resources.

§ 7 — FILM INDUSTRY EQUIPMENT RESERVE ACCOUNT

The bill establishes a separate, nonlapsing film industry equipment reserve account in the General Fund. DECD must use the money to buy equipment for its film industry job development program (see above). The account is funded by appropriations and donations for the account's purposes. The treasurer administers the account.

§ 8 — DECD FILM INDUSTRY REPORTING REQUIREMENTS

As part of its annual report to the governor and the General

Assembly, the bill requires DECD to include the following information on the state's film industry:

1. an analysis of its activities to support the industry's growth;
2. a description of the department's in- and out-of-state marketing efforts to publicize tax credits to film production and digital animation companies for production, infrastructure, and job creation; and
3. recommendations for further developing the state's film and entertainment industries.

BACKGROUND

Related Bills

sHB 5509, File 44, reported by the Higher Education and Education committees, is virtually identical to § 5 of this bill.

sHB 5510, reported by the Higher Education and Appropriations committees is almost the same as § 6 of this bill, except that it requires OWC, rather than DECD, to run the film industry job development program.

sHB 5931, reported by the Finance, Revenue and Bonding Committee, makes the film production tax credits apply against the insurance premium tax for the 2006 income year, as well as for 2007 and subsequent years.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45 Nay 7 (04/02/2008)